27 JUN 1973

MEMORANDUM FOR: Director of Logistics

SUBJECT : Commercial Bus Study

1. Problem: To consider the possible use of a commercial contract to operate the Agency shuttle system..

2. Assumption: Management feels that the Agency shuttle system can and must become a less costly and more efficient operation.

3. Background:

a. The Agency has six W-7 bus drivers and four W-6 limousine drivers whose annual gross salaries total $121,872, exclusive of fringe benefits (see Annex A).

b. The Agency has in its inventory six 33-passenger Blue Bird buses and six 12-passenger Checker limousines whose total acquisition cost was $163,000.

c. Direct annual cost of operating the shuttle system is $138,652. If depreciation of the vehicles is included, the annual cost is $159,027. Cost of operating the system on the routes, however, is $100,778 (see Annex B).

d. The Agency operates two bus routes and two limousine routes (see Annex C). Routes 1, 2, and 4 begin at 0730 hours and Route 3 at 0830 hours, Monday through Friday, approximately 252 days a year. The service terminates each evening at 1730 hours. This results in 198,000 miles traveled per year on the routes plus 37,000 miles per year traveling to and from the routes.

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e. A total of [redacted] passengers will be transported in FY-1973. Of this number, 75 percent will utilize Routes 1 and 2: 43 percent between the Headquarters Building [redacted] and 32 percent between [redacted],

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STATINTL [redacted] (hereafter referred to as "the triangle"). Of the remaining 25 percent, 10 percent of the passenger load is on Route 3 and 15 percent is on Route 4 (see Annex D).

4. Discussion:

a. This study is exploratory in nature; however, some specific conclusions and recommendations are offered. Discussions were held with commercial bus and chauffeur services to determine the feasibility of a commercial contract and their individual interest in bidding on a contract if it is let. The need for an extremely high degree of reliability and security clearance of the company's personnel was stressed. The following plans for operating the shuttle service were presented:

(1) The contractor will provide drivers, supervision, and inspection, and the U.S. Government will provide vehicles, maintenance, and fuel.

(2) The contractor will provide drivers, maintenance, fuel, supervision, and inspection, and the U.S. Government will provide the vehicles.

(3) The contractor will provide the total service, defined to mean vehicles, drivers, maintenance, fuel, supervision, and inspection.

b. A meeting was held with representatives of five bus companies. They all expressed an interest in at least one of the three plans.

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- [redacted] Interested in Plan 3
- Interested in all plans
- Interested in Plan 3
- Interested in Plan 3
- Interested in Plan 3

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c. Although [redacted] expressed an interest in all three plans, their reliability seems in question since this firm brokers for the services of other companies. The other companies rejection of Plans 1 and 2 stems from their fear of potential legal problems as well as the problem of divided responsibilities for operating the services.

d. Ten chauffeur services were contacted by telephone to determine their interest in a contract. The three different plans were presented to each. The first four of the ten chauffeur services are interested.

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- [redacted]	Interested in Plans 1 & 3
-	Interested in all plans
-	Interested in all plans
-	Interested in Plans 1 & 2
-	Not Interested
-	Not Interested
-	Not Interested
-	Not Interested
-	Not Interested
-	Not Interested

STATINTL

e. Three of the four interested chauffeur services expressed the view that only they could perform the service to the Agency's satisfaction. [redacted] while not so confident, desires the opportunity to bid on any contract.

f. Under Plan 1, the Agency annual payroll would decline $121,872 (the present annual salary for drivers, exclusive of fringe benefits). The upper limit of any contract let under Plan 1 would thus be about $122,000. Under Plan 2, the contractor also maintains and provides fuel for the Government-furnished vehicles. The present annual cost of maintenance and fuel is $16,780. This gives an upper limit of about $139,000 for any contract let under Plan 2. The present direct annual cost of the shuttle service is $138,652 plus vehicle procurement costs. Depreciating the vehicles over an 8-year period raises the annual cost to $159,027 giving an upper limit of about $160,000 for any contract let under Plan 3.

g. Based on the experience of other Government departments, a contract for Plan 3 could be negotiated between $158,256 and $176,284. Both the Department of State and the Department of Defense have contracted out their bus service. The contract awarded by the Department of State in January 1973 was for $157 per bus per day. Applying this rate to the Agency shuttle system results in an annual cost of $158,256. The Department of Defense contract was awarded in June 1972 at a rate of $ .89 per mile. Applying this rate to the 198,072 miles covered by the Agency shuttle routes results in an annual cost of $176,284 (see Annex E).

h. Cost savings may be derived by eliminating some of the present runs. For example, the direct limousine run from Headquarters [redacted] duplicated the present bus routes. Its elimination would result in a savings of about $35,000 based on the Department of Defense and the Department of State contracts.

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i. The Department of Defense, the Department of State, and the Agency have overlapping shuttle service in the triangle. Meetings were held with representatives of the Departments of Defense and State to determine if there was mutual interest in cooperating on shuttle service in the triangle. Two proposals were put forward. First, to agree to allow reciprocal use of shuttle buses with the Department of Defense and the Department of State servicing the triangle and the CIA providing service [redacted] Agency Headquarters. Secondly, to enter into a tripartite contract. Under the first proposal, the Agency would only have one bus route rather than the present two, saving at least $40,000 each year. The parties mutually agreed that if an agreement is desirable that the agreement should be kept as simple as possible and that access to the services should be controlled but not complex.

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5. <u>Conclusions</u>:

a. No savings in direct costs are expected by contracting out the entire shuttle system (Plan 3).

b. A commercial contract for Plans 1 and 2 is possible. The actual costs can only be determined with a formal invitation to bid.

SUBJECT: Commercial Bus Study

c. A savings of $35,000 is possible by eliminating Route 3 - the direct Headquarters to State Department limousine.

d. A savings of at least $40,000 is possible by cooperating with the Department of State and the Department of Defense in allowing them to provide shuttle service in the triangle area while the Agency handles the Headquarters-

STATINTL [redacted] service.

6. Recommendations:

a. Meeting with the Department of State and the Department of Defense to decide on joint use of service in the triangle area, either through a memorandum of understanding or a tripartite commercial contract.

b. Solicit bids from the commercial contractors on the 3 plans including any route adjustments which may result from meeting with the Department of Defense and the Department of State.

c. Based on these solicitations, determine the cost advantage and feasibility of negotiating a commercial contract.

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Chairman,
Commercial Bus Study Group, OL

Recommendations 6a, 6b, and 6c are

APPROVED: ______________________

DISAPPROVED: ______________________

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A

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Annex A

Drivers' Salaries

		Hourly	Per Annum
W-07, Step 4 Chauffeurs (effective 5-13-73)			
STATINTL	[redacted]	$4.61	$ 9,588.80
			$38,355.20
W-07, Step 3			
STATINTL	[redacted]	$4.44	$ 9,235.20
			$18,470.40
W-06, Step 4 Chauffeurs (effective 5-13-73)			
STATINTL	[redacted]	$4.37	$ 9,089.60
			$18,179.20
W-06, Step 3			
STATINTL	[redacted]	$4.21	$ 8,756.80
			$17,513.20
			$92,518.40
Overtime			$29,354.00
			$121,872.40

B

Annex B

Direct Annual Cost

Salaries of Drivers	$121,872.00
Maintenance and Fuel	
Buses - $ .08/mile for 134,000 miles	10,720.00
Limousines - $ .06/mile for 101,000 miles	6,060.00
Total Direct Annual Cost w/o Depreciation	$138,652.00

Annual Depreciation

$163,000 Acquisition Cost ÷ 8 years	20,375.00
Total Direct Annual Cost	$159,027.00

Operating Cost Per Mile

Bus		
Maintenance and Fuel	.08	.50/mile
Salary	.42	
Limousine		
Maintenance and Fuel	.06	.48/mile
Salary	.42	

Operating Costs on Routes

Blue Birds	Miles/Year		Op Cost/Mile		Op Cost/Year
Route 1	48,384	x	.50	=	$ 24,192.00
Route 2	48,384	x	.50	=	24,192.00
Rush Hour	13,680	x	.50	=	6,840.00
Total	110,448	x	.50	=	55,224.00
Special	5,000	x	.50	=	2,500.00
	115,448	x	.50	=	$ 57,724.00

Annex B

Limousines	Miles/Year		Op Cost/Mile		Op/Cost/Ye
Route 3	38,556	x	.48	=	$ 18,506.8
Route 4	49,140	x	.48	=	23,569.9
Total	87,696	x	.48	=	$ 42,094.0
Special	2,000	x	.48	=	960.0
	89,696	x	.48	=	$ 43,054.0

Direct Cost on Routes

Blue Birds/year	$ 57,724.0
Limousines/year	43,054.0
	$100,778.0

c

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E

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Annex E

Agency Costs Based on Other Government Contracts

Department of Defense Contract

Route	Trip/Day		Miles/Trip		Miles/Day		Days/Year		Miles/Year		Rate		Cost
1	8	x	24	=	192	x	252	=	48,384	x	.89	=	$ 43,062.00
2	8	x	24	=	192	x	252	=	48,384	x	.89	=	43,062.00
3	9	x	17	=	153	x	252	=	38,556	x	.89	=	34,315.00
4	13	x	15	=	195	x	252	=	49,140	x	.89	=	43,734.00
Special	2	x	15	=	30	x	252	=	7,560	x	.89	=	6,728.00
Special	2	x	7	=	14	x	252	=	3,528	x	.89	=	3,140.00
	1	x	10	=	10	x	252	=	2,520	x	.89	=	2,243.00
Totals	43	x	112	=	786	x	252	=	198,072	x	$ .89	=	$176,284.00

Department of State Contract

Buses Required	Cost/Bus/Day		Cost/Day		Days Operating		Cost/Year
4	$157.00	=	$628.00	x	252	=	$158,256.00

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